IMPLEMENTATION OF A CAPITAL IMPROVEMENTS PROGRAM

EXECUTIVE PLANNING

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ABSTRACT

The Orange County Fire Authority (OCFA) was formed in the aftermath of the 1994 Orange County, California, bankruptcy. Consequently, long-term financial stability has been a major concern of its governing board since formation of the OCFA. With 60 fire stations and a fleet of 436 vehicles to maintain and replace, as well as a need for a new headquarters and training facility, the OCFA faces significant capital costs in future years. While the OCFA's revenue stream is sufficient to meet its annual operating needs, it had no formal plan to meet its long-term capital needs. The purpose of this research project was to develop and implement a planning process to meet the long-term capital needs of the OCFA.

Historical, descriptive, and action research procedures were used to determine (a) how the OCFA could benefit from planning for long-term capital needs, (b) how the OCFA's partner cities were meeting their long-term capital needs, (c) the capital planning and budget cycles that would best meet the OCFA's needs, and (d) the steps that should be taken to develop and implement a long-term capital improvements program (CIP).

The outcome of this research project was the development and implementation of a formal CIP to meet the long-term needs of the OCFA. Not surprisingly, the most dramatic finding was that the OCFA cannot meet its essential long-term capital needs unless new strategies are developed to secure the essential funding.

Refinements and enhancements are recommended to expand the OCFA's CIP into an even more effective planning tool. Additionally, it is recommended that the OCFA conduct a study of alternative financing mechanisms and aggressively pursue grants and legislative solutions to help finance its long-term capital needs.

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INTRODUCTION

The Orange County Fire Authority (OCFA) is a major metropolitan fire department formed in 1995 as a joint powers authority and is a pacesetter in the delivery of regional services. The OCFA provides fire protection and emergency medical services to the citizens of 19 of the county's 31 cities and the county unincorporated area. With a service population of approximately 1.2 million residents and 60 fire stations within an area of 511 square miles, the OCFA is one of the largest regional fire service organizations in the state of California. The OCFA responded to 66,008 calls in calendar year 1998 and protected property with an assessed value of $87.8 billion. The OCFA must meet the challenge of providing quality, responsive, and cost-effective services within an ever-changing environment that is diverse, dynamic, and politically complex.

The financial and business decisions that the OCFA makes today not only impact its daily operations but also have implications that extend well into the future. One of the most critical issues facing any fire department is assuring long-term financial stability. Financial stability is particularly critical to OCFA. As a joint powers authority, OCFA functions much like a special district but lacks the ability to levy taxes. The OCFA must remain financially self-sufficient within the revenue sources that it can legally generate and cannot rely on other governmental entities such as its contract cities or the county to "bail" it out. While OCFA's revenue stream is sufficient to meet its operating needs, it had no formal plan for meeting long-term capital needs.

The purpose of this research project was to develop and implement a planning process to meet the long-term capital needs of the OCFA. Historical, descriptive, and action research procedures were used to answer the following questions:

1. How could the OCFA benefit from planning for long-term capital needs?

2. How are the OCFA's partner cities meeting their long-term capital needs?
3. What capital planning and budget cycles would best meet the OCFA's long-term capital planning needs?
4. What steps should be taken to develop and implement a long-term capital improvements program (CIP)?

BACKGROUND AND SIGNIFICANCE

Formed in 1995 in the aftermath of the 1994 Orange County, California, bankruptcy, the OCFA is organizationally as well as politically complex. The OCFA is a joint powers authority governed by a 21-member board of directors. The board consists of a representative city council member from each of the OCFA's 19 partner cities and two representatives from the county board of supervisors. Additionally, staff works closely with a city manager technical advisory committee and a city manager budget and finance committee established to involve the OCFA's partner city managers in major policy and financial decisions.

With a workforce of 1,784 career and volunteer staff, the OCFA provides fire suppression, emergency medical, rescue, and fire prevention services to 1.2 million citizens and responds to approximately 66,000 emergency calls a year. The annual operating budget of $117.6 million is funded primarily through property taxes (66% of funding) and charges for contract services (25% of funding). The OCFA has four separate budgets totaling $11.6 million for capital projects, facilities maintenance and improvements, communications and information systems replacement, and vehicle replacement. Additionally, reserve balances of $42.1 million have been set aside to meet future operating and capital needs. Twelve of the cities served by the OCFA, and the county unincorporated area, fund their

service contracts through structural fire fund property taxes that are collected by the county and transmitted to the OCFA. The seven remaining cities fund their service contracts through cash contract charges.

The formation of the OCFA in 1995 culminated a four and one-half year struggle between the partner cities and the county over control of the Orange County Fire Department (OCFD). Formed in 1980, the OCFD was a county fire department governed by a five-member board of supervisors. The OCFD served the unincorporated area of the county and provided contract services to 16 of the county's 31 cities. In forming the new joint powers fire authority, the goal of the cities was to retain the benefits of the OCFD's regional service delivery approach while giving each of the partner cities an equal voice in decisions impacting fire department operations and financing. The financial equity and cost of fire protection has been a major concern of the partner cities since 1980. The "equity" issue is even more critical today due to the multiple challenges facing the OCFA's partner cities and the stiff competition for limited dollars to meet public demands for services.

With its heavy reliance on property taxes as a revenue source, the OCFA is particularly vulnerable to economic fluctuations and to any action or event that impacts its property taxes. Over the last five years, the OCFA has faced and successfully met the following major financial challenges:

- Survived two state budget crises which threatened to slash the OCFA's operating budget by 40 %, a loss of $40 million a year in property tax revenue.
- Recovered from the largest municipal bankruptcy in history—the Orange County, California, bankruptcy which was declared on December 6, 1994, and resulted in a 28 % or $10 million loss in the OCFA's cash balances.

- Launched an aggressive legislative campaign and secured special legislation to deflect a $15.0 million retroactive and an ongoing $3.0 million annual property tax loss triggered by a state controller's audit.
- Operated under a financial deficit for the first three years of its existence and implemented cost containment measures to balance its general fund in 1998.

In addition to these financial challenges, the OCFA has faced and dealt with the following significant organizational challenges during the same period:

- Transitioned from a county fire department governed by a 5-member board of supervisors to an independent joint powers fire authority governed by a 21-member board of directors.
- Added three new cities to its service area, increasing the OCFA's emergency response load by 10,000 calls a year.
- Initiated a study of the financial equity of fire services which is nearing completion and may change the OCFA's governance structure and the methodology for calculation of cash contract charges.

With 60 fire stations and a fleet of 436 vehicles to maintain and replace, the OCFA faces significant capital costs in the future. Four stations currently require replacement and two new stations are needed over the next five years to meet emerging service needs in the south county area. Additionally, the OCFA has a critical need for a new headquarters and training facility. The cost of this new facility alone is estimated at $55.0 million. While the challenges of the last few years have been staggering, the challenges of the next 5 to 10 years will be insurmountable if the OCFA does not take action today to implement financial planning efforts to position itself to meet its long-term capital needs.

The development of a planning process to meet long-term capital needs is directly related to the objectives of the National Fire Academy's Executive Planning course. A desired outcome of this

course is to assure that students have the ability to shape the future of their fire service operations through effective planning efforts (National Fire Academy, 1995, p. vii). The objectives of this research project were to determine (a) how the OCFA could benefit from planning for long-term capital needs, (b) how the OCFA's partner cities were meeting their long-term capital needs, (c) the capital planning and budget cycles that would best meet the OCFA's needs, and (d) the steps that should be taken to develop and implement a long-term CIP. The desired outcome of this project was the development and implementation of a planning process to meet long-term capital needs.

LITERATURE REVIEW

The literature review underscored the critical demands currently facing the fire service, as well as local government in general, and the need to be proactive in long-term planning efforts (Bruegman, 1994; Bryant, 1997; Coleman, 1990; Nolan, Goldstein, and Pfeiffer (1993); Phelps, 1990; Ruben, 1993; Thorp, 1995; Wallace, 1998). Several authors urged fire chiefs to focus on long-range planning and to tie strategic planning to the budget process (Boyd, 1997; Coleman, 1997; Fire, 1996; Fire, 1997; Rosenham, 1995; Wallace, 1998).

Clearly, public organizations today face a number of challenges that at times can become overwhelming. Examples of these challenges were cited by Alston and Bryson (1996):

- Significantly increased—or reduced—demands for programs, services, and products.
- More active and vocal employees and "clients."
- Heightened (sometimes staggering) uncertainty about the future.

- Pressures to "reinvent" or "reengineer" themselves, to engage in Total Quality Management, and to collaborate or compete more effectively to better serve key external customers.
- The need to integrate plans of many different kinds—strategic, business, budget, information technology, human resource management, and finance plans, as well as short-term action plans.
- Greater difficulty in acquiring the resources they need to fulfill their missions (p. xiii).

In facing these challenges, Ruben (1993) observed that some fire service organizations manage their daily operations in the same style of crisis mode used at the scene of a fire.

Thorp (1995) commented that many fire service leaders still muddle through with practices that served them well in the past and fail to see that historical solutions are no longer relevant to today's demands. Prior to the 1960s, fire departments paid little attention to the budget process. Financial operations were not subject to public scrutiny, and there was little emphasis on whether fire service programs were cost effective. Most fire chiefs simply made a cursory review of their previous year's budget and increased it incrementally on an annual basis. Little if any attention was given to long-range planning or to looking toward future needs (Carter, 1989). In today's environment, a fire chief will not survive if he or she uses the budgeting methods of the past and does not engage in long-term financial planning.

Similar to the OCFA, most fire departments are funded with property taxes that are levied against property owners and corporations. In the past, local jurisdictions could simply increase taxes to meet increased costs, but this is no longer possible where state and local laws have been enacted to limit the ability of communities to raise taxes (DiPoli, 1997). For example, California law limits the annual growth in property taxes to a maximum of 2%.

Coleman (1997) pointed out that one of the major challenges facing the fire service today is the need for well defined long- and short-term planning efforts which clearly identify priorities and

demonstrate a greater sophistication in addressing budget issues and spending priorities. As leaders in today's fire service, the challenge for fire chiefs is to create a vision of the future and make that vision happen. Long-range financial planning is essential to making the vision become a reality (Wallace, 1998).

The findings with the most significance to this research project emphasized the need for long-range financial forecasting and the need for local governments to develop a CIP. Planning efforts are important not only in fiscal management but in the overall policy-making process of public organizations (Aronson and Schwartz, 1996; Banovetz, 1996; Bland and Rubin, 1997; Chapman, 1987; Miller, 1997; Newell, 1993).

A capital expenditure is defined as an expense for the construction or purchase of a facility or equipment that is expected to provide services for a considerable time (Aronson and Schwartz, 1996). Examples include fire stations, dispatch and training centers, and fire apparatus—all extremely costly items essential to the delivery of services. State and local governments separate their capital and operating spending for several reasons. Capital costs are frequently paid from one-time, earmarked sources of financing, whereas operating costs are typically met from ongoing revenues. Secondly, the decision making process differs. Capital projects are usually ranked against each other; most programs and projects in the operating budget continue from one year to the next. Thirdly, the budgeting time frames differ. Expenditures in the operating budget usually occur within a fiscal year, whereas expenditures for capital projects often span several years (Bland and Rubin, 1997). Although most operating budgets are subject to regular scrutiny during the annual budget process, capital budgets frequently are submitted as afterthoughts.

Efficient capital financing is best facilitated through the preparation, adoption, and implementation of a multi-year capital program (Miller, 1997). Ideally, the creation of a CIP is the foundation of the capital budgeting process. In most governmental agencies, a CIP covers a five-year period, and the first year of the CIP becomes the annual capital budget. The CIP and its estimated revenue and expenditures are updated each year, and a new fifth year of projects is added to the CIP. While the CIP provides a rolling five-year inventory of the planned projects and sources of financing, the first year of the CIP provides the details on the design, cost, and financing of the projects recommended for the upcoming year (Bland and Rubin, 1997). A well thought-out and documented capital budget or capital improvements program (CIP) is essential to a local agency's long-term financial stability.

PROCEDURES

Research Methodology

The desired outcome of this research project was to develop and implement a formal CIP to meet the long-term capital needs of the OCFA. Historical, descriptive, and action research procedures were utilized to achieve this outcome.

Historical research was used to analyze trends, concepts, procedures, and pertinent findings reported in the literature. The literature review focused on current theories, assumptions, and long-term capital planning efforts employed in public agencies. The primary focus was on findings specific to the fire service.

Under the direction of the author, the OCFA's finance staff assisted in the descriptive and action research. Finance staff conducted a telephone survey of each of the 19 cities served by the

OCFA to determine what the OCFA's partner cities were doing to meet their long-term capital needs. A survey of the OCFA's partner cities was considered important as a frame of reference to determine each city's experience in long-term capital planning as well as to gain insights that would assist the OCFA. The survey was also essential to gather information to assist in developing a CIP similar to those used in the partner cities and familiar to the OCFA's appointed officials. The premise was that familiarity would facilitate the eventual "buy in" needed for approval of the proposed new CIP. In addition to the survey, budget packages and CIPs were requested from selected cities for evaluation as possible models for the proposed CIP. Survey methodology and results are submitted in Appendix C.

Last year, under the direction of the author, finance staff surveyed seven fire departments in the southern California area to compare their budget practices with the OCFA's practices. Of the seven departments, only two had a long-term CIP. One of the CIPs was for vehicle replacement; the second, for facility needs. The survey was not updated for this project because no material changes in the findings were anticipated since last year.

Action research was applied to develop and implement a formal CIP to meet the OCFA's long-term capital needs. The author and her finance staff evaluated survey results and reviewed the sample budget packages and CIPs collected from selected partner cities. Under the direction of the author, finance staff developed budget justification formats for the OCFA's first formal CIP and conducted a workshop for managers responsible for budget preparation. The justification formats were refined based on user input and were then used by managers to develop their capital budget requests for the coming fiscal year and to project needs for the five-year CIP planning period.

After finance staff summarized the capital budget requests submitted by the managers, the author facilitated senior fire management's evaluation and prioritization of the budget requests. Under

the direction of the author, finance staff then prepared the CIP and projected expenses and revenues for the five-year planning period. The CIP then became a part of the OCFA's 1999/00 budget package, which is currently in the process of being submitted to the board of directors for formal approval. The five-year CIP cost summary and proposed fiscal year 1999/00 CIP budget is submitted in Appendix A; sample budget justifications are submitted in Appendix B. The need for refinements and enhancements was identified during the action research to improve the OCFA's long-term capital planning efforts.

Limitations

The literature review focused on the trends, procedures, and techniques that would be most pertinent to local governments, and in particular, to a fire service organization such as the OCFA. Because most of the long-term financial issues faced by the OCFA are similar to those faced by other fire service agencies, the focus of the literature does not present any significant limitation.

The survey was deliberately limited in scope to focus on the CIP practices of the 19 cities served by the OCFA because the experiences of this survey population were considered relevant to the research project. The survey results were unique to the OCFA's audience, but a similar survey could easily be replicated using a population unique to any agency considering a similar project. The steps taken in the action research and the outcome could be used by any agency and could be easily adapted to meet local needs.

RESULTS

The outcome of this research project was the development and implementation of formal CIP to meet the long-term capital needs of the OCFA. The models developed to assist in this planning process are submitted in Appendixes A and B. The CIP has provided a valuable tool to help focus the OCFA's long-term planning efforts. Not surprisingly, the most dramatic finding was that the OCFA

cannot meet its essential long-term capital needs unless new strategies are developed to secure the essential financing.

Answers to Research Questions

Research Question 1. Given the magnitude of the capital demands facing the OCFA in the coming years, long-term financial planning can help to:

- Determine whether fiscal problems are on the horizon and to develop strategies to address the problems.
- Project fiscal "gaps" or revenue shortfalls to avert financial emergencies (Aronson and Schwartz, 1996).
- Provide an atmosphere for more responsible budgeting (Chapman, 1987).
- Provide a tool to review, compare, and assign priorities to the various budget needs and projects (Bland and Rubin, 1997).
- Introduce long-range considerations into the annual budget process to provide a better understanding of the implications of budget and policy decisions.
- Gain a better understanding of the organization's financial condition (Guilfoyle and McGuigan, 1990).
- Find alternatives when there is not enough money to do everything that the organization would like to do (Rosenhan, 1995).
- Replace ad hoc decision making with a process that facilitates advance planning for capital facilities (Miller, 1997).

Research Question 2. Fifteen of the OCFA's 19 partner cities practiced multi-year planning for capital needs and had adopted CIPs with planning periods that ranged from five to seven years. The

four cities without formal multi-year CIPs budgeted for their capital needs on an annual basis in their general funds. Seventeen of the cities budgeted for their vehicle replacement costs by either charging the costs to the user department or funding the costs directly in the user's budget. The two cities that did not budget for vehicle replacement were small cities that contracted out for their support services and owned no more than one vehicle. The survey suggested that most of the OCFA's appointed officials would be familiar with CIPs and might therefore be inclined to support the OCFA's development and implementation of a CIP.

Research Question 3. The first key consideration was the time frame for the CIP planning cycle. According to Bland and Rubin (1997), local governments typically use a five-year CIP planning model that is updated each year. Guilfoyle and McGuigan (1990) noted that a term shorter than five years does not deal with the longer-term consequences of major financial decisions, and a period beyond five years requires assumptions about too many unknown variables.

The second key consideration was the timing of the capital budget cycle. Although preparing the capital budget "off season" distributes staff workload more evenly, Bland and Rubin (1997) believed it was more advantageous to prepare the capital budget concurrent with the operating budget. This focuses the attention of senior management and elected officials on all budget issues at the same time. Better decisions can be made if the impacts of capital spending on the operating budget (and vice-versa) are considered simultaneously.

Research Question No. 4. There are four basic steps that should be taken in developing a long-term capital plan or CIP. The initial step is to identify and select potential projects for inclusion in the CIP. The next step is to develop and apply criteria to evaluate and select the proposed projects. The third step is to forecast the fiscal capacity of the local government and then identify funding sources

potentially available to finance the CIP (Bland and Rubin, 1997). After the CIP is prepared, the final step is to market it (Benest, 1997).

DISCUSSION

If the OCFA is to continue to be a pacesetter in the delivery of regional fire protection and emergency services, it must position itself to assure its long-term financial stability well into the future. Not only must the OCFA have plans in place to meet future operating needs but it also must have plans in place to meet its long-term capital needs. The purpose of this research project was to focus on long-term capital planning since the OCFA did not have a formal process in place to meet this need.

The need for long-term capital planning and the value of implementing a CIP were clearly demonstrated in the literature. Given the OCFA's financial independence, the most compelling benefits were those cited by Aronson and Schwartz (1996)—determining whether fiscal problems are on the horizon and developing strategies to address problems in time to avert financial emergencies.

The conclusion drawn from the literature review and the survey of partner cities was that a five-year capital planning model, updated each year, would best meet the OCFA's needs. Projections beyond this time frame are far less reliable because, as Wah (1998) remarked, "The future is inherently unpredictable" (p. 25). A period of less than five years does not provide a solid base for evaluating the long-term consequences of major financial decisions. On the other hand, a time frame beyond five years involves assumptions about too many unknown variables (Guilfoyle and McGuigan, 1990).

In developing a forecast model, the best approach is to start simply and build in more complexities only after gaining experience with the model. One should also consider administrative and political issues when determining whether or not to implement a CIP. Since the forecasting process is

heavily influenced by the political context, a basic issue is to determine whether the forecast is intended to be a guide for the chief administrator or to assist elected officials in policy making (Aronson and Schwartz, 1996). For this research project, it was determined that the CIP was intended to serve fire management by providing a tool for long-term planning and also to serve the OCFA's appointed officials by providing a tool to assist in decision making.

On the practical side, Guilfolye and McGuigan (1990) provided hints for preparing a multi-year financial forecast that were directly applicable to this research project:

- Use a team approach.
- Commit major energy and time.
- Test the waters before finalizing—review with auditor or financial advisor.
- Anticipate resistance to bad news.
- Identify and stress major variables.
- Outline forecast assumptions (p. 10).

The development of criteria to evaluate capital projects is a very basic step in developing a CIP. Without criteria, it is difficult to evaluate competing projects. Bland and Rubin (1997) identified several factors used by local governments as criteria to evaluate capital projects. These factors, which are listed below, were used to help evaluate projects to include in the OCFA's CIP:

1. Fiscal impact.
2. Health and safety effects.
3. Economic effects.
4. Environmental, aesthetic, and social effects.
5. Disruption and inconvenience.

6. Implications.
7. Amount of uncertainty.
8. Effect on surrounding cities.
9. Impact on other capital projects (p. 184).

The forecast of project costs and revenues provides the basic financial framework for the CIP. The forecast shows how much of the capital budget can be supported by current revenues, how much debt service can be supported, and what amount of tax increase (if legally permissible) will be required to support the capital program. The major functions of the forecast are to provide an estimate of the local government's ability to fund the CIP by direct expenditures and to evaluate its capacity to take on debt financing (Aronson and Schwartz, 1996).

Marketing is essential to help sell the CIP to the community and to the elected officials who ultimately have control over allocation of scarce local resources. The problems facing local government are difficult to solve, are frequently emotion-laden, and are often divisive. Given this type of environment, marketing and communication of budgetary needs to the various stakeholders as well as to elected officials helps generate support for the proposal and facilitates informed decision making (Benest, 1997). Marketing certainly is a critical final step that cannot be overlooked.

In today's environment, the implementation of a planning process to meet long-term capital needs is essential for a fire department's survival. "Municipal finances can be likened to a roller coaster. Their current state reflects a continuum of up and down cycles, often changing abruptly" (Guilfoyle and McGuingan, 1990, p. 7). Through long-range financial planning efforts and implementation of a CIP, the OCFA can determine whether fiscal problems are on the horizon and strategies can be developed in time to avert financial crises. By expanding the CIP into a comprehensive financial planning model, the

OCFA will have an even more powerful tool to assist in evaluating its long-term needs to help assure financial stability well into the future.

RECOMMENDATIONS

The formal CIP implemented through this research project was a giant step forward for the OCFA and provided a badly needed tool for long-range financial planning. Further refinements and enhancements are recommended to expand the CIP into an even more effective planning tool. Additionally, it is recommended that the OCFA aggressively pursue alternative funding sources to help finance its long term-capital needs. Recommendations are summarized below:

- Define which types of expenses to include in the operating budget and which to include in the CIP. Ambiguities existed in budgeting for station maintenance, building alterations and improvements, and computer and small equipment expenses. This resulted in confusion and inconsistent budgeting.
- Continue to refine assumptions for long-range planning. This will result in more reliable financial forecasts and will provide timely information to assist in closing revenue gaps and taking proactive measures to avert financial crises.
- Establish procedures to monitor the CIP. This is essential to assure that cost and revenue projections are accurate, to keep projects on schedule, to enable early intervention to resolve problems, and to assure that the plan is not overly ambitious.
- Expand the CIP into a comprehensive financial planning model to include projected five-year operating costs and revenues. This will provide a powerful tool to evaluate the long-term consequences of operating decisions and the financial impacts on the CIP as well as the impact of CIP decisions on the operating budget.

- Complete a detailed study of the feasibility of alternative financing mechanisms and aggressively pursue grant and legislative solutions to meet long-term capital needs. Lacking sufficient funding to meet its essential long-term capital needs, the OCFA will require aggressive pursuit of alternative financing mechanisms to fund its future capital needs.

Implementation of these recommendations will provide the OCFA with the planning tools it needs to help assure its long-term financial stability. This is essential if the OCFA is to survive and continue to be a pacesetter in the delivery of regional services to the citizens of Orange County, California.

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APPENDIX A

CAPITAL IMPROVEMENTS PROGRAM BUDGETS

SUMMARY OF FIVE-YEAR COSTS

1999/00 PROPOSED CIP BUDGET AND FUNDING SOURCES

ORANGE COUNTY FIRE AUTHORITY
Capital Improvements Program
Summary of Five-Year Costs

Fund	Project	FY1998/99	FY 1999/00	FY 2000/01	FY 2001/02	FY 2002/03	FY 2003/04	5 YEAR TOTAL
FACILITIES MAINTENANCE & IMPROVEMENT								
122	Roof replacements	75,000	57,000	30,000	30,000	25,000	25,000	167,000
122	Station sprinkler retrofits		45,000	45,000	45,000	45,000	45,000	225,000
122	Emergency Generators	200,000	105,000	100,000	70,000	70,000	35,000	380,000
122	Rebudget - UST project	644,000	736,000	269,000	245,000	57,000	57,000	1,364,000
122	Asphalting parking lots at HQ & Stns	60,000	30,000	60,000	60,000	60,000	60,000	270,000
122	Apparatus room door replacements	80,000	80,000	80,000	80,000	80,000	25,000	345,000
122	Painting Interior/Exterior	150,000	145,000	36,000	36,000	36,000	20,000	273,000
122	Recarpet	65,000	62,500	40,000	40,000	40,000	20,000	202,500
122	Heating/Ventilation replacement	60,000	45,000	45,000	30,000	30,000	30,000	180,000
122	Privacy panel retrofits	80,000						
122	Fire alarm/sprinkler testing/repair/certs	50,000	10,000	10,000	10,000	10,000		40,000
122	Minor alterations/seismic	100,000	195,000	50,000				245,000
122	Rain gutter/down spouts	75,000	10,000	30,000	30,000	22,500	10,000	102,500
122	Station 53 Repair and seal floor/day room	13,000						
122	Tree trimming and removal	27,500	20,000	16,000	12,000	12,000	10,000	70,000
122	Hose rack replacement	5,000	25,000					25,000
122	Stn 39 Trailer leveling/kitchen counter repl	5,000						
122	Stn 42 Engineering eval; slope/drainage repair	50,000	133,000					133,000
122	Irrigation repairs/timer replacements	25,000	20,000	20,000	12,000	12,000	5,000	69,000
122	Station 31 Block wall replacement	8,500						
122	Station 26 Wooden fence replacement	6,500						
122	Sign replacement		10,000					10,000
122	Support Building alterations	15,000	15,000					15,000
122	Building demolition & Shop relocation	65,000	155,000					155,000
122	Warehouse/offices remodel	145,000	145,000					145,000
122	Turnout Lockers/Install Doors(6)		10,500					10,500
122	Replace Security Gates, Stn 42		7,500					7,500
122	Station Alterations/Improvements		173,500					173,500
	Subtotal	**$2,004,500**	**$2,235,000**	**$831,000**	**$700,000**	**$499,500**	**$342,000**	**$4,607,500**
CAPITAL PROJECTS								
123	Architect/Engineering Project Manager	67,160	65,103	65,103	65,103	65,103	65,103	325,515
123	Replacement of Station 19 (Lake Forest)	250,000		232,084	1,961,658			2,193,742
123	Replacement of Station 29 (Dana Point)	1,000,000	1,000,000	207,464	1,935,233			3,142,697
123	Replacement of Station 38 (Irvine)					182,842	1,544,094	1,726,936
123	Station 22 remodel (Laguna Hills)	110,000						
123	Rebudget-Station 15 Reloc.(Silverado Canyon)	537,439	537,439					537,439
123	P250 Seismic Upgrade various stations	2,185,000	334,784					334,784
123	New Station 51 (Irvine Spectrum)	90,000	50,000					50,000
123	New Station 58 (Ladera)	250,000	2,645,387					2,645,387
123	Consulting Services (File Maint/New St Construction)		75,000					75,000
	Subtotal	**$4,489,599**	**$4,707,713**	**$504,651**	**$3,961,994**	**$247,945**	**$1,609,197**	**$11,031,500**
COMMUNICATIONS & INFO. SYSTEMS REPLACEMENT								
124	800 MHz radios	375,000	375,000	375,000	375,000	375,000	375,000	1,875,000
124	MDT System		800,000	925,000	925,000	500,000	500,000	3,650,000
124	Pagers			94,500	158,000	57,500		310,000
124	Rebudget - MDT Base Stn Installation	60,000	60,000					60,000
124	AEF Planning & Development audit impl costs	132,841	132,841					132,841
124	AEF Finance audit implementation costs	514,000	329,000					329,000
124	CAD system upgrades	150,000	450,000	50,000	50,000	50,000		600,000
124	Mainframe computer replacements		200,000	50,000				250,000
124	INGRES conversion to ORACLE	250,000	250,000					250,000
124	OCFIRS replacement	250,000	250,000					250,000
124	Network upgrade	250,000	250,000	250,000				500,000
124	Finance/HR system	150,000	75,000					75,000
124	Satellite Cellular Phone		35,000					35,000
124	PBX Phone System		100,000					100,000
124	Handar 555 Datalogger:RAWS System Upgrade		25,000					25,000
124	Fire Station Telephone Systems		30,000					30,000
124	Fire Station Alarm/Sound System Upgrades		45,000					45,000
124	CADEX 7000 Battery Analyzer & Conditioner		30,000					30,000
124	Master Lease Debt Service: Principal & Interest		58,018	58,018	58,018	58,018	58,018	290,090
124	Telecomm System Hardware Upgrade		8,600	3,000	3,000	3,000	3,000	20,600
124	Centra-Com II Radio Console		27,500					27,500
124	Microsoft Windows Upgrade		85,000					85,000
124	Second E-Mail Server		60,000					60,000
	Subtotal	**$2,131,841**	**$3,675,959**	**$1,805,518**	**$1,569,018**	**$1,043,518**	**$936,018**	**$9,030,031**
VEHICLE REPLACEMENT								
133	Emergency vehicles	2,017,500	2,281,332	2,734,750	3,248,500	3,318,500	3,666,750	15,249,832
133	Support vehicles	429,500	471,500					471,500
133	Developer Funded vehicles		871,000					
133	Master Lease Consultants	29,500						
133	Master Lease Debt Service: Principal & Interest		706,262	706,262	706,262	706,262	706,262	3,531,310
	Subtotal	**$2,476,500**	**$4,330,094**	**$3,441,012**	**$3,954,762**	**$4,024,762**	**$4,373,012**	**$20,123,642**
	TOTAL	**$11,102,440**	**$14,948,766**	**$6,582,181**	**$10,185,774**	**$5,815,725**	**$7,260,227**	**$44,357,173**

Notes: Fund 123 - Station 39 (Laguna Niguel) relocation was deferred for consideration in the next five year planning cycle.
Fund 123 - The Regional Training & Operations Center was deferred until a detailed financial plan is developed for the project.
Fund 124 - The following projects were deferred while we undertake a Strategic Evaluation of our needs, priorities, and available funding: Network Upgrade $600K, Finance/HR System $200K, Executive Info System $225K, CAD Replacement $4.9M, and Mobile Computing $350K.

ORANGE COUNTY FIRE AUTHORITY
Capital Improvements Program
Proposed Budget & Funding Sources
Fiscal Year 1999/00

	122 Facilities Maint & Improvement	123 Capital Projects	124 Communications & Info Systems Repl	133 Vehicle Replacement	Total
PROPOSED BUDGET FY 1999/00 (A)	**2,235,000**	**4,707,713**	**3,675,959**	**4,330,094**	**14,948,766**
FUNDING SOURCES					
Interest	3,796	490,528	102,199	261,613	858,136
Contracts	-	54,325	-	497,440	551,765
Developer Contributions	-	2,695,387	-	871,000	3,566,387
Operating Transfer from Fund 121	1,615,867		164,408	38,206	1,818,481
Total Revenues	1,619,663	3,240,240	266,607	1,668,259	6,794,769
Projected Available Fund Balance *(Note 1)*	1,020,605	8,625,972	4,112,505	4,624,483	18,383,565
Release Reserve Funds - Master Lease Pmt	-	-	44,230	538,421	582,651
Rebudget / Carry-over from 98/99	-	2,172,223	635,814	-	2,808,037
Total Beginning Fund Balance	1,020,605	10,798,195	4,792,549	5,162,904	21,774,253
TOTAL AVAILABLE RESOURCES (B)	**2,640,268**	**14,038,435**	**5,059,156**	**6,831,163**	**28,569,022**
Scenario #1 - Operating Transfer is Approved *(Note 1)*					
FUNDING OVERAGE / SHORTAGE (B-A)	405,268	9,330,722	1,383,197	2,501,069	13,620,256
Scenario #2 - Operating Transfer is not Approved *(Note 1)*					
Decrease to Projected Available FB	(405,268)	(863,397)	(1,383,197)	(1,791,430)	(4,443,292)
FUNDING OVERAGE / SHORTAGE	-	8,467,325	-	709,639	9,176,964

Note 1: The funding shown here includes an operating transfer from Fund 121 to the CIP Funds. This transfer was proposed to the Board of Directors on 3/25/99; however, staff was directed by the BOD to hold on the transfer. Therefore, CIP funding is shown in two scenarios to reflect available funding with and without the operating transfer.

ORANGE COUNTY FIRE AUTHORITY
Capital Improvement Program
Reservations & Designations of Fund Balance
Fiscal Year 1999/00

	122 Facilities Maint & Improvement	123 Capital Projects	124 Communications & Info Systems Repl	133 Vehicle Replacement	Total
Projected Fund Balance 6/30/99	1,020,605	9,560,372	4,437,516	8,640,327	23,658,820
Designated for Future Specific Uses:					
Bonita Village	-	(734,400)	-	-	(734,400)
Station 10 Developer Contribution	-	(200,000)	-	-	(200,000)
Master Lease Repayment	-	-	(325,011)	(3,956,432)	(4,281,443)
HMSS Vehicle Replacement	-	-	-	(42,412)	(42,412)
HMRT Vehicle Replacement	-	-	-	(17,000)	(17,000)
Projected Available Fund Balance 6/30/99	**1,020,605**	**8,625,972**	**4,112,505**	**4,624,483**	**18,383,565**

APPENDIX B

CAPITAL IMPROVEMENTS PROGRAM

SAMPLE BUDGET JUSTIFICATIONS

FUND 122—Facilities Maintenance and Improvement

FUND 123—Capital Projects

FUND 124—Communications and Information Systems Replacement

FUND 133—Vehicle Replacement

Orange County Fire Authority

Capital Improvements Program Fiscal Year: 1999-2000

Department/Division: Property Management
Fund 122 Projects, Status, and Justifications

1. Roof Replacements **Status**: All 11 projects scheduled for FY 1998/99 were completed.

FY 1998/99 Budget	$75,000
Expended (1/31/99)	96,366.
Shortfall	-21,366

The $21,366 shortfall was covered through an intra-fund transfer from line items that came in slightly under budget.

FY 1999/2000 Proposed Budget	**$57,000**
Change from previous proposed amount	0

Justification: Stations roofs continue to need replaced as they wear out.

2. Station Sprinkler Retrofits **Status:** In progress

FY 1998/99 Budget	0
Expended (1/31/99)	0
Shortfall	0

FY 1999/2000 Proposed Budget	**$45,000**
Change from previous proposed amount	0

Justification: Twenty-three of OCFA's existing stations are sprinklered. This line item is to begin retrofitting the rest of the stations. Project time line: 5 years, 1999/2000 - 2004/1005.

3. Emergency Generators **Status**: Generators were replaced in 5 locations as scheduled.

FY 1998/99 Budget	$200,000
Transferred to FS 22 Project Midyear	50,000

Expended (1/31/99)	186,544.70
Shortfall	-$36,544.70

The $36,544.70 shortfall was covered through an intra-fund transfer from line items that came in slightly under budget.

FY 1999/2000 Proposed Budget	**$105,000**
Change from previous proposed amount	0

Justification: Generators continue to need replacement to meet life safety needs as they age.

Orange County Fire Authority

Capital Improvements Program	**Fiscal Year: 1999-2000**
Department/Division:	**Technical Services/Property Management**
Project Number/Name:	**Fire Station 15 (Silverado)**
Project Status:	**Planning Stage**
Estimated Project Cost:	**$537,439**
Funding Sources:	**OCFA**
Priority:	**1=High**

I. PROJECT DESCRIPTION

Replacement of current FS 15.

II. ONGOING PROJECT STATUS

First year tasks completed:

- Site selection analysis completed. OCFA elected to co-locate with USFS at current site.
- Black Star Canyon site lease returned to The Irvine Company.
- Operations Department representative confirmed OCFA requirements with USFS.
- Agreement to co-locate drafted.
- Preliminary site design completed by architect.

Second year: FY 2000-2001

- Complete co-location agreement with USFS to remain at current site.
- Obtain concurrence from USFS on preliminary site design.
- Complete project design, value engineering, and specifications and go out to bid for construction.
- Open bid and award construction contract.
- Complete construction.
- Develop furniture and moving plans.
- Relocate staff and equipment.

Third year: FY 2001/2002

- Warranty period.

III. JUSTIFICATION

Currently station personnel are housed in a 1930s USFS building which is in adequate for long term occupation. In addition, there is no apparatus room to house equipment. Single engine company.

IV. DETAILED BUDGET ESTIMATE

COST ELEMENT	COST
Station Construction - 4,000 square feet @ $175.86 s/f	$ 703,440
Fixtures, furnishings & equipment (exclusive of apparatus) @ $14-16 s/f	56,000
Site Improvements - 15,000 square feet @ $5 s/f	75,000
Architectural fees @ 7-10% of construction & site development costs	54,490
Project management fees @ 7-10% of construction & site development costs	In house staff
Soils and other testing @ 1.5% of construction & site development costs	11,677
Total	**900,607**
Contingency @ 7.5%	67,546
PROJECT TOTAL	**$968,152****

****COST IS ANTICIPATED TO BE LOWER THAN AVERAGE STATION COSTS BECAUSE PERSONNEL WILL BE HOUSED IN MODULAR FACILITY WITH 'BUTLER' TYPE BUILDING FOR APPARATUS.**

V. JUSTIFICATION FOR BUDGET ESTIMATE
Estimate based on stated Operations Department requirements.

VI. ESTIMATED 5-YEAR FINANCING
N/A

VII. ESTIMATED EFFECT OF COMPLETED PROJECT ON ANY OTHER OPERATING BUDGETS (REVENUES AND/OR EXPENDITURES)
N/A

VIII. COSTS ASSOCIATED WITH DELAY
May lose opportunity to co-locate with USFS.

Orange County Fire Authority

Capital Improvements Program Fiscal Year: 1999-2000

Department/Division:	**Operations/Communications**
Project Number/Name:	**800 MHz Radios**
Project Status:	**On-going**
Estimated Project Cost:	**$1,875,000**
Funding Sources:	**OCFA**
Priority:	**1 = High**

I. NEW PROJECT DESCRIPTION

N/A

II. ONGOING PROJECT STATUS

This project is a 7-year replacement plan for 800 MHz radios.
The project will be completed in FY 2003/04.

III. JUSTIFICIATION

Previously justified. Replacement coincides with the upgrade of the countywide Coordination Communications System. It will provide new interagency communications with various city and county public safety agencies.

IV. DETAILED BUDGET ESTIMATES BY FUND

Capital costs: $375,000/year for 7 years.

V. JUSTIFICATION FOR BUDGET ESTIMATES

Sole source contract with Motorola.

VI. ESTIMATED 5-YEAR FINANCING

$375,000 per year.

VII. ESTIMATED EFFECT OF COMPLETED PROJECT ON ANY OTHER OPERATING BUDGETS (REVENUES AND/OR EXPENDITURES)

None

Orange County Fire Authority

Capital Improvements Program — Fiscal Year: 1999-2000

Department/Division:	**Technical Services/Automotive**
Project Number/Name:	**Vehicle Replacements**
Project Status:	**On-going**
Estimated Project Cost:	**$3,623,832**
Funding Sources:	**Varied**
Priority:	**1 = High**

I. NEW PROJECT DESCRIPTION

N/A

II. ONGOING PROJECT STATUS

On-going; vehicles are being ordered and received as per budget and BOD approval.
The Vehicle Replacement Plan (VRP) is being adjusted to show options.

III. JUSTIFICIATION

Why is this request being made?
Vehicles must be replaced as they age. Emergency response vehicles must be replaced in a timely manner so that they are not subject to frequent break-downs as such occurrences would negatively impact response times.

Will it correct a current service deficiency?
No, it will prevent one from occurring.

Which service area(s) will benefit from this request and in what ways?
The regional delivery process will benefit.

Are there any health and/or safety impacts?
Old vehicles subject to break downs always present safety issues.

IV. 5-YEAR BUDGET ESTIMATES

FY 1999/2000:	**$3,623,832**	**29 vehicles**
FY 2000/2001:	**$2,734,750**	**21 vehicles**
FY 2001/2002:	**$3,248,500**	**18 vehicles**
FY 2002/2003:	**$3,318,500**	**20 vehicles**
FY 2003/2004:	**$3,666,750**	**29 vehicles**

V. JUSTIFICATION FOR BUDGET ESTIMATES

Actual costs are determined through the bid process; costs for budget purposes are based on experience. The decision to purchase a replacement vehicle is triggered by the age of the vehicle and its projected lifespan in the vehicle replacement plan, but every vehicle's need for replacement is re-assessed when it comes up in the plan for replacement. It is reassessed based on mileage, age, out-of-service time, and mechanical condition.

VI. ESTIMATED 5-YEAR FINANCING

Master lease program as well as other funding methods. FY 1999-2000 includes two developer-funded vehicles totaling $871,000 fully equipped.

VII. ESTIMATED EFFECT OF COMPLETED PROJECT ON ANY OTHER OPERATING BUDGETS (REVENUES AND/OR EXPENDITURES)

Timely vehicle replacement can have a positive impact on the cost of vehicle maintenance, including such things as towing. Reduced maintenance needs can also positively impact operations.

Fund 133: Vehicle Replacement Plan

Replacement Year: FY 1999-2000

Vehicle Type Number	Mileage as of 10/98	Model Yr	Replace With	Assignment	Cost In 1999 $
Battalion Command Vehicle-2					
2149	70,400	1995	BC Command Veh	B6	$51,000
4350	56,749	1995	BC Command Veh	B7	$51,000
Cargo van-2					
4313	130,159	1989	Cargo van	COM SVCS	$27,000
4350	123,387	1991	Cargo van	SERV CTR	$27,000
Dozer-2					
7113	0	1975	Dozer	TRACTOR 19	$253,000
7190	0	1980	Dozer	TRACTOR 10	$253,000
Mini van-3					
2121	60,209	1991	Mini van	CM SVCS	$24,000
4325	93,381	1989	Mini van	ENGR 10/12	$24,000
2127	62,426	1991	Mini van	INFO 14	$24,000
Pick up: 1/2 T-1					
3830	109,532	1989	Pick up: 1/2 T	AUTOMOTIVE	$25,500
Service truck, light-2					
3647	113,543	1989	Service truck, light	RPR-2	$30,000
3809	124,731	1989	Service truck, light	RPR-1	$30,000
Telesquirt-2					
5060	114,951	1990	Telesquirt	E24	$397,014
Station 51, new			Telesquirt, fully equipped		$497,750
Truck, 90’ Quint-1					
5107	107,828	1986	90’ Quint	T61	$703,000
Type 1 engine-1					
5101	73,491	1986	Type 1 engine	E1	$263,318
Station 58, new			Type 1 engine, fully equipped		$373,250
Utility-10					
3251	100,504	1991	Utility	I 2-1	$26,000
3252	107,450	1991	Utility	I 3-3	$26,000
3823	165,790	1989	Utility	AIR OPS	$26,000
3034	80,243	1994	Utility	Sup-1 C&E	$26,000

Vehicle Type Number	Mileage as of 10/98	Model Yr	Replace With	Assignment	Cost In 1999 $
3036	89,469	1992	Utility	I 2-2	$26,000
3038	62,799	1987	Utility	Plans-3	$26,000
1315	80,810	1992	Utility	ENGR 8	$26,000
1316	76,241	1992	Utility	Plans-1	$26,000
1317	8,210	1992	Utility	ENGR 14	$26,000
1399	102,245	1990	Utility	P&D	$26,000
Water tender-2					
5456	22,874	1971	Water tender	WT23	$155,000
5499	68,595	1974	Water tender	WT41	$155,000
			TOTAL	**29 Vehicles**	**$3,623,832**

APPENDIX C

PARTNER CITY SURVEY

SURVEY METHODOLOGY

SURVEY OF PARTENER CITIES—LONG-TERM CAPITAL PLANS

PARTNER CITY SURVEY

SURVEY METHODOLOGY

Under the direction of the author, the OCFA's finance staff conducted a telephone survey of each of the 19 partner cities served by the OCFA. The finance staff contacted each city's finance director and asked the following questions:

1. Does your city have a capital improvements program (CIP)?

2. If yes, how many years do you plan for in the CIP?

3. If no, how do you budget for your capital needs?

4. How does your city budget for vehicle replacement costs?

In addition to asking the questions listed above, the finance staff asked selected cities to provide a copy of their latest budget package and a copy of their CIP. The cities contacted included:

- Buena Park
- Cypress
- Dana Point
- Irvine*
- Laguna Hills
- Laguna Niguel*
- Lake Forest
- La Palma
- Los Alamitos
- Mission Viejo*
- Placentia
- San Clemente*
- San Juan Capistrano
- Seal Beach
- Stanton
- Tustin
- Villa Park
- Westminster
- Yorba Linda

Those cities asked to provide the budget and CIP information are designated with an asterisk.

SURVEY OF PARTNER CITIES--LONG TERM CAPITAL PLANS

Name of City	Capital Improvements Programs	Vehicle Replacement Budgets
Buena Park	no - budgets annually for capital needs	ISF - charges rent to user departments
Cypress	yes - 7 year CIP	ISF - charges user departments
Dana Point	yes - 7 year CIP	GF - budgets replacement and purchase as capital outlay within each user department
Irvine*	yes - included in 5 year business plan	ISF - charges user departments for replacement cost
Laguna Hills	yes - 6 year budget plan	GF - does not charge user department
Laguna Niguel*	yes - 5 year CIP	GF - vehicle replacement and purchase costs budgeted as capital outlay within each user department
Lake Forest	yes - 7 year CIP	GF - city has only one pick-truck; police, and public works contracted out
La Palma	no - budgets annually for capital needs	ISF - charges user departments for vehicles assigned
Los Alamitos	yes - 7 year CIP	charges user departments
Mission Viejo*	yes - 7 year CIP	GF/redevelopment fund - budgeted directly by user departments
Placentia	yes - 5 year CIP	equipment replacement fund - charges user departments for vehicles assigned
San Clemente*	yes - 5 year CIP	ISF - charges user programs for replacement costs
San Juan Capistrano	yes - 7 year CIP	charges user programs for vehicles assigned on a cost reimbursed basis

SURVEY OF PARTNER CITIES--LONG TERM CAPITAL PLANS/page 2

Name of City	Capital Improvements Programs	Vehicle Replacement Budgets
Seal Beach	no - budgets annually for capital needs	GF - vehicle replacement and purchase budgeted as capital outlay within each user department
Stanton	no - budgets annually for capital needs by funding source	ISF - charges user programs for vehicles assigned
Tustin	yes - 7 year CIP	equipment fund - charges user departments based on lease rates
Villa Park	yes - 7 year CIP	GF - vehicle replacement and purchase budgeted as capital outlay within each user department
Westminster	yes - budgets annually	ISF - charges user departments for vehicles assigned
Yorba Linda	yes - 7 year CIP	GF - vehicle replacement and purchase budgeted as capital outlay within each user department

Notes:
* - copy of CIP and budget package requested from city
ISF - internal service fund
GF - general fund